Manitoba

Annual Report 2000

The Public Utilities Board

Includes 10% post-consumer waste

The Honourable Scott Smith
Minister of Consumer and Corporate Affairs
314 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Smith:

Pursuant to the provisions of Section 109(1) of The Public Utilities Board Act, I am pleased to submit to you, the Forty-First Annual Report of the Board, pertaining to the year ending on the Thirty-first day of December . This Annual Report is submitted to you on behalf of my colleagues who served on the Board for the period covered by this report.

Sincerely,

G. D. Forrest
Chairman

FORTY-FIRST ANNUAL REPORT OF THE PUBLIC UTILITIES BOARD

FOR THE YEAR ENDING DECEMBER 31, 2000

CHAIRMAN'S REMARKS

Experts tell us there is no need to panic, that the markets have a way of correcting themselves, of bringing supply and demand back into balance and bringing with it prices for natural gas, other fossil fuels and electricity back to more affordable levels.

From the perspective of electricity supply and prices Manitobans have enjoyed a very stable environment, however for our neighbours in Ontario, Alberta and to the south, market determined supply and price is significantly less stable.

However, the same cannot be said for Manitoba's fossil fuel providers. Natural gas and propane are traded at market prices that are determined by the laws of supply and demand. Since 1985, the commencement of deregulation of natural gas prices at the wholesale level, all of Canada has seen stable commodity prices as depicted on the graph on page 13 in this report. Many experts say that excess supply in the Western Canadian supply basin was the principal reason for such price stability. With new take-away capacities in the Western Supply basin, this has now changed dramatically. Natural gas appears to be the energy of choice in today's market and in 2000, increased demand brought significantly higher prices.

Historically, in the regulated utility environment changes in natural gas costs are allowed to flow through to the consumer without any mark-up and consistent with that approach the providers of fossil fuels in Manitoba were allowed increases in rates to reflect market conditions.

Some providers locked in supply costs thereby bringing price stability while others continue to pay the more volatile market prices. Some experts believe that the market reflects the best price and accordingly, continue to support contracts with prices that reflect the day to day changes in the market.

Together with my colleagues in early 2001, the Board will re-visit such issues to determine what is the best interest of Manitobans.

The future is uncertain but with respect to energy prices, it may be desirable to prepare ourselves for sustained prices rather than falling prices for at least the next 12 to 18 months. This market will continue to be examined carefully by the Board.

Of course, the acquisition of Centra Gas Manitoba Inc. by Manitoba Hydro in 1999 was a significant milestone in the energy sector in Manitoba. It promises to bring Manitobans synergistic savings and perhaps, some rationalization of the energy policy in Manitoba. Clearly, rising fossil fuel costs and stable electricity prices will bring convergence in energy costs. This convergence will impact system requirements for both gas, and electricity, as well as propane, which is an issue that will also be examined closely by the Board.

I will conclude by saying that the Board fully appreciates the importance of energy on the economic well being of all Manitobans. There are many challenges faced by the providers of fossil fuels in Manitoba and the Board, to the extent possible, will provide an opportunity for Manitobans to access a reliable energy supply at reasonable prices.

With respect to Manitoba motorists, many will see a reduction in their insurance costs for the insurance year commencing February 1, 2001 due to favourable claims experience for which Manitoba motorists deserve recognition. The benefits of Manitoba Public Insurance's commitment to safe driving consumer education, changing driver attitudes and fair driving conditions are all important and have contributed to the financial success of MPI. The Board continued to review MPI's efforts to adjust the insurance program to better balance the desire to reward the good drivers and through surcharges, recover greater costs from drivers in at-fault accidents.

In the year covered by this report there have been changes in Board Members. I would like to sincerely thank the retiring Members for their significant contribution and support. It was greatly appreciated.

QUARANTE ET UNIÈME RAPPORT ANNUEL DE LA RÉGIE DE L'ÉNERGIE

POUR L'EXERCICE SE TERMINANT LE 31 DÉCEMBRE 2000

COMMENTAIRES DU PRÉSIDENT

Les experts affirment qu'il ne faut pas paniquer, que les marchés parviennent généralement à s'autocorriger, que l'offre et la demande atteignent un équilibre, ce qui a pour effet de conserver les prix du gaz naturel, des autres combustibles et de l'électricité à un niveau abordable.

En ce qui a trait au prix de l'électricité et à l'offre, les Manitobains et Manitobaines ont pu profiter d'une certaine stabilité. Toutefois, chez nos voisins de l'Alberta, de l'Ontario et du sud, c'est le marché qui détermine l'offre et les prix sont beaucoup moins stables.

La situation est toutefois différente pour les fournisseurs de combustible au Manitoba. Le prix du marché auquel se vendent le gaz naturel et le propane est déterminé par la loi de l'offre et de la demande. Depuis 1985, où on a procédé à la libération des prix du gaz naturel dans le commerce en gros, on a connu, partout au Canada, des prix stables, tel qu'il est présenté dans ce rapport à la page 13. Bon nombre d'experts ont mentionné que les surplus existant dans le bassin de l'Ouest canadien étaient principalement responsables de cette stabilité des prix. La capacité de puiser dans le bassin de l'Ouest canadien a changé, ce qui a eu une grande influence sur la stabilité des prix. Le gaz naturel semble maintenant être l'énergie de choix dans le marché d'aujourd'hui, et en l'an 2000, l'augmentation de la demande a provoqué une augmentation substantielle des prix.

Lorsque le prix du gaz naturel est régi, les hausses peuvent généralement être imputées au client sans qu'il n'y ait de majoration du prix du gaz naturel. En suivant cette approche, on a permis aux fournisseurs de combustible du Manitoba d'augmenter leurs tarifs en fonction des conditions du marché.

Certains fournisseurs ont gelé les prix d'approvisionnement, offrant ainsi une certaine stabilité, alors que d'autre ont préféré payer les prix des marchés, qui sont plus volatiles. Certains experts croient que le marché offre le meilleur prix et, par le fait même, continuent de soutenir les contrats présentant des prix en fonction des changements quotidiens du marché.

Au début de l'année 2001, mes collègues de la Régie et moi-même étudierons ces questions afin de définir ce qui est dans le meilleur intérêt des Manitobains et Manitobaines.

Bien que l'avenir soit incertain, il est peut-être préférable, en ce qui a trait aux prix de l'énergie, d'envisager un maintien des prix plutôt qu'une baisse, et ce, au cours des douze à dix-huit mois à venir. Le marché continuera d'être suivi de près par la Régie.

Il est certain que l'acquisition de Centra Gas Manitoba Inc. par Hydro-Manitoba en 1999 a marqué un point culminant dans le domaine de l'énergie au Manitoba. On promettait aux Manitobains et Manitobaines qu'ils réaliseraient des économies synergiques et que la politique manitobaine en matière d'énergie serait probablement rationalisée. Il est clair que l'augmentation du prix des combustibles et la stabilité des prix de l'électricité permettra une convergence des coûts de l'énergie. Cette convergence aura une influence sur les exigences du système, tant pour le gaz naturel et l'électricité que pour le propane, sujet que la Régie étudiera attentivement.

Je conclurai en mentionnant que la Régie reconnaît pleinement l'importance de l'énergie en ce qui a trait au bien-être social de toute la population du Manitoba. Bien que les fournisseurs de combustibles du Manitoba aient de nombreux défis à relever, la Régie tentera, dans la mesure de ses moyens, d'offrir aux Manitobains et Manitobaines la possibilité d'accéder à une source d'énergie fiable, et ce, à un prix abordable.

Pour ce qui est des automobilistes, beaucoup verront leur prime d'assurance diminuer pour l'exercice commençant le 1er février 2001, et ce, en raison du bon dossier des conducteurs du Manitoba, qui mérite d'être reconnu. L'engagement de la Société d'assurance publique du Manitoba en ce qui concerne l'éducation visant la conduite sécuritaire, le changement d'attitude des conducteurs et l'équité des conditions de conduite a présenté des avantages importants et a contribué à la

réussite financière de la société. La Régie continue d'examiner les efforts que la Société fait pour ajuster son programme d'assurance afin de trouver une manière équilibrée de mieux récompenser les bons conducteurs en taxant davantage les conducteurs ayant causé des accidents, soit en leur imposant une surcharge, soit en recouvrant davantage de frais.

Au cours de l'exercice abordé dans le présent rapport, la composition de la Régie a changé. Je désire remercier les membres sortants pour leur grande contribution et leur appui, qui ont été grandement appréciés.

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RESPONSIBILITIES

The Public Utilities Board (the Board) is an independent quasi-judicial body operating under the authority of the Manitoba Legislature. While The Public Utilities Board Act was passed in 1959 the Board has regulated services under other legislation since 1912.

The Board is responsible for the regulation of public utilities as defined under *The Public Utilities Board Act*; namely: Centra Gas Manitoba Inc., Stittco Utilities Man Ltd., Gladstone, Austin Natural Gas Co-op Ltd., Swan Valley Gas Corporation, all energy providers and most water and sewer utilities in the Province.

The Board also regulates the premiums charged for compulsory auto insurance and related premiums charged on drivers' licences and Manitoba Hydro's rates for the sale of power, all pursuant to *The Crown Corporations and Public Review and Accountability Act*. Other enactments which assign regulatory or adjudicative responsibilities to the Board are:

The Greater Winnipeg Gas Distribution Act
The Gas Allocation Act
The Prearranged Funeral Services Act
The Cemeteries Act
The City of Winnipeg Act (passenger carrier agreements)
The Manitoba Water Services Board Act (Appeals)
The Highways Protection Act (Appeals)

The Board is also responsible for the administration of The Gas Pipe Line Act which requires the Board to authorize construction and operation of all gas pipe lines in Manitoba.

MEMBERS OF THE BOARD

As of December 31, 2000 the members of the Board were:

G. D. Forrest, Chairman
R. A. Mayer, Q.C., Vice-Chairman
P. Britton
D. Côté
M. Girouard
E. Jorgensen
Dr. K. Avery Kinew
M. Santos

SUMMARY OF BOARD ACTIVITIES

BOARD MEETINGS AND HEARINGS

Board Meetings	19
Public Hearing Days	21
Appeal Hearings	
- Disconnection of Service	0
The Highways Protection Act	3
Pre-Hearing Conference Days	1

ORDERS ISSUED

During the year ending December 31, 2000, 164 Orders were issued, as follows:

Regulated Industry Orders:

Water and Sewer Utilities	51
Natural Gas and Propane Utilities	34
Highways Protection Act	5
Manitoba Hydro	70
Manitoba Public Insurance Corporation	4

Note: Copies of the decisions of The Public Utilities Board of Manitoba are available from the Board's office upon request.

NATURAL GAS DISTRIBUTION

CENTRA GAS MANITOBA INC.

APPLICATION BY CENTRA GAS MANITOBA INC. FOR APPROVAL OF A WESTERN TRANSPORTATION SERVICE WITH RESPECT TO THE SALE OF NATURAL GAS AND AN ASSOCIATED AGENCY BILLING AND COLLECTION SERVICE - ***Order No. 19/00 - February 14, 2000***

In Order 15/98, the Public Utilities Board directed Centra Gas Manitoba Inc. ("Centra") to develop a Western Transportation Service ("WTS"). WTS is a program for the direct purchase of Primary Gas in a competitive marketplace. Aggregators, Brokers and Marketers ("ABM") sell their gas directly to the customer at agreed to prices. The price, along with the ABM's name, will be included directly on the monthly bills Centra sends to the customer.

In June 1999 Centra filed an application with the Board for approval of the WTS' rates and Terms and Conditions of Service and the Agency Billing and Collection ("ABC") service amongst other things. A public hearing was held in October 1999 following the issuance of the Stakeholder Report outlining the areas of agreement reached by Centra, consumers' groups and ABMs. The introduction of WTS and ABC service are to enhance competition largely through greater price disclosure.

The Board approved the implementation of WTS and ABC service with an implementation date of May 1, 2000, subject to certain conditions.

ABC service will be mandatory for Small General Class and Large General Class customers until May 1, 2001, after which time Centra will offer this service on an optional basis. ABC service will be optional for High Volume Firm Class, Mainline Class and Interruptible class customers effective May 1, 2000.

Effective May 1, 2000, Customer's natural gas bills will be unbundled to show, in addition to the basic monthly charge, charges relating to Primary Gas, Supplemental Gas, Transportation to Centra, Distribution to the Customer, and, for Interruptible customers, an Alternate Gas Service.

ABMs that wish to provide gas service must meet, as part of the licencing requirements, the conditions laid out in this order, such as minimum credit requirements and warranty provisions underpinning supply quantities and delivery capacities. Centra will offer backstopping service to ABMs when their supply volumes fall short of their sales volumes, as a last resort, at a fee of two times the incremental costs. Centra may waive the fee at its discretion, but must report the reasons for doing so to the Board.

The Board wishes to monitor the evolution of the market closely and has directed Centra

to provide a number of reports on both the implementation of WTS and ABC service as well as the discontinuation of Buy/Sell Service.

AN ORDER APPROVING THE FILINGS PURSUANT TO BOARD ORDER NO. 19/00 AND AMENDING A DIRECTIVE OF BOARD ORDER NO. 19/00 – *Order No. 49/00 – March 30, 2000*

On March 17, 2000, Centra submitted revisions to the general Terms and Conditions of Service last approved by Board Order No. 79/98. Centra noted that it had not amended the Terms and Conditions of Service to reflect Board Order 19/00 wherein ABC Service was to be optional for May 1, 2001. Centra anticipated further amendments to the Terms and Conditions of Service will be required when the provision of optional ABC Service is finalized.

The Board was advised the implementation of ABC Service for the HVF, Mainline and Interruptible Classes will be effective May 1, 2000.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN EX-PARTE ORDER APPROVING INTERIM SALES RATES TO BE EFFECTIVE FOR ALL NATURAL GAS CONSUMED ON AND AFTER APRIL 1, 2000 - *Order No. 51/00 - April 4, 2000*

On March 22, 2000, Centra filed an Application requesting interim ex-parte Board approval of rates for April 1, 2000. Centra revised the Application on March 23, 2000 requesting Board approval of the following:

1. continuation of the existing rates to SGC and LGS customers; and

2. implementation of the rate riders previously approved by the Board in Order 118/99 for the HVF, Mainline and Interruptible customers.

Centra requested that the interim rates remain in effect until a further order of the Board. The Board approved Centra's application.

AN APPLCIATION BY CENTRA GAS MANITOBA INC. FOR AN ORDER TO APPROVE A RATE SETTING METHODOLOGY AND A RATE SETTING PROCESS FOR PRIMARY GAS – *Order No. 55/00 – April 17, 2000*

In late 1998, Centra filed with the Board Centra's Price Management Policy and Plan. Subsequently, the Board issued Order 100/99 directing Centra to refile the Policy and the 1999/2000 Price Management Plan based on the Board's findings and directives in that Order. In concert with its new owner, Manitoba Hydro, Centra significantly changed its approach to address rate volatility and market responsive pricing. On December 22, 1999, Centra filed a Rate Management Policy, including a Derivative Hedging Policy, and sought approval for a Rate Setting Methodology and a Rate Setting Process. A public hearing regarding this application was held in Winnipeg at the Board offices on March 6 to 9, 2000, and final argument was heard on March 10, 2000.

In its decision, the Board approved a Rate Setting Methodology that will adjust

Primary Gas sales rates at the beginning of each gas year quarter, commencing May 1, 2000, to reflect 50% of the difference between the updated 12-month forward price curve (weighted for the cost of gas in storage) and the sales rates set for the previous quarter. The Rate Setting Methodology will also dispose of the Primary Gas purchase gas variance account ("PGVA") balance at the end of each quarter over the next 12 months. The Rate Setting Methodology will enable the PGVA to be cleared on a more frequent basis, and improve the market responsiveness of sales rates.

The Board also approved, on a trial basis, the alternative Rate Setting Process put forth by Centra during the hearing where Centra will file an application with the Board on the first of the month prior to the beginning of each gas year quarter, and provide public notice during the first and second weeks of that month. Board approval will be requested before the commencement of the next gas year quarter. Given the current volatility in the natural gas market, the Board stated that it is important for customers to be informed of proposed changes in rates and have the opportunity to express their views on the requested rate changes. The Board, after considering all comments on each application, may order a public process if the Board deems it to be necessary. Whether or not a quarterly hearing is held, all parties will have an opportunity to test the evidence through a full hearing process at the annual cost of gas proceeding.

Centra's Derivative Hedging Policy differed significantly from the Price Management Policy that was filed with the Board in connection with Board Order 100/99. The Board approved the Derivative Hedging Policy, but directed Centra to update the document to include the objectives, strategies and circumstances under which derivatives are to be placed. The Board noted concerns expressed by intervenors that infrequent use of derivatives may lead to imprudent decision making. The Board views the responsibilities for prudent derivatives hedging transactions to be within the purview of management and directed Centra to deal with them appropriately.

AN ORDER APPROVING THE FILINGS PURSUANT TO BOARD Order 19/00 - *Order No. 58/00 – April 17, 2000*

On March 24, 2000, Centra submitted its proposed tariff for WTS and ABC Service to be charged to all ABMs effective May 1, 2000. Centra indicated that it had reviewed the matter of costs and since incremental costs are relatively minor a nominal charge of $0.25 per bill per month was proposed. Centra continues to believe that the easiest and least costly approach was to include such costs of service in the general rates tariff and bill all customers for this and all other services. Centra noted that the only change necessary from the current environment will be the need to develop a method of remitting receipts from customers to brokers. Finally, Centra proposed to allocate this additional "general miscellaneous revenue" to all customers consistent with the way general miscellaneous revenue are currently allocated.

The Board notes that Centra was directed to submit its proposed fees on a cost based method in Order No 19/00. However, the proposal now submitted by Centra does not appear to be as directed. Due to the urgency

of the successful introduction of the WTS service, the Board will approve the proposal on a interim basis and review at the next General Rate Application the cost and fee associated with this service.

Therefore, the Board will approve, on an interim basis, the Tariff of $0.25 per bill per month.

Centra filed a copy of the Rate Schedules reflecting further unbundling of the bill components effective May 1, 2000 by way of letter dated March 31, 2000. The Board reviewed the calculation of Impact of Rate Charge by Customer class and was satisfied with the Proof of Revenue.

The Board has also reviewed the Rates as submitted by Centra and will approve the Rates.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN ORDER APPROVING AND AUTHORIZING: 1. NEW FRANCHISE AGREEMENTS WITH THE RURAL MUNICIPALITIES OF BIFROST AND WOODLANDS, THE TOWNS OF TEULON AND ARBORG, AND THE VILLAGE OF RIVERTON; 2. THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO THE VILLAGE OF RIVERTON, THE TOWNS OF ARBORG AND TEULON, THE LOCAL URBAN DISTRICT OF WARREN, AND THE RESIDENCES AND BUSINESSES IMMEDIATELY ADJACENT TO THE COMMUNITIES OF RIVERTON AND ARBORG, IN THE RURAL MUNICIPALITY OF BIFROST; 3. APPROVING AND AUTHORIZING A CONNECTION FEE SCHEDULE TO BE USED BY CENTRA TO CHARGE AND COLLECT CONNECTION FEES FROM CUSTOMERS IN THE VILLAGE OF RIVERTON, THE TOWNS OF ARBORG AND TEULON, THE LOCAL URBAN DISTRICT OF WARREN, AND THE RESIDENCES AND BUSINESSES IMMEDIATELY ADJACENT TO THE COMMUNITIES OF RIVERTON AND ARBORG, IN THE RURAL MUNICIPALITY OF BIFROST - ***Board Order No. 95/00 - July 5, 2000***

In December 1998, Centra applied to the Board for approval of an expansion project that would take natural gas to the communities of Grosse Isle, Balmoral, Gunton, Warren, Woodlands and Teulon. Centra also requested approval of an expansion surcharge rate to be charged to new customers in the Rural Municipalities ("RMs") of Rockwood and Woodlands and the Town of Teulon.

Estimated capital cost for Phase I of Stage I of the project was approximately $7,796,285. The capital costs were to be substantially funded through federal, provincial, municipal and customer contributions of $2,350,000, $2,350,000, $4,247,465, and $332,000 respectively which included an additional $2,035,000 for cost overruns and further rural expansion in Phase II of Stage I. Centra was to contribute $552,454. Stage II project costs were estimated to be $6,194,607. As no feasibility test for Phase II of Stage I was included in that Application, the Board in Order 115/99, directed Centra to gather this information and refile the Application.

The revised Application was filed on February 17, 2000, but prior to that date the RM of Rockwood withdrew from the project, and the project scope was revised to bring service to the Communities of Teulon, Warren, Arborg, Riverton and the residences and businesses immediately adjacent to Arborg and Riverton. The new system design provided for some additional expansion, but the feasibility test did not include any rural attachments. The surcharge was eliminated, and the revised capital cost of $7,300,744 was to be substantially funded through federal, provincial, municipal and customer contributions of $2,350,000, $2,350,000, $1,014,183, and $496,552 respectively. Centra's contribution would be $1,090,009.

As a result of these changes in scope, capital costs decreased from approximately $14.0 million to approximately $7.3 million for the revised project.

The Board was of the view that the current Application was significantly different from the one addressed in Order 115/99. There had been substantial changes to the geographic regions served, the design assumptions, the costs, and the funding arrangements. Therefore, the Board considered this Application on a stand-alone basis. The Board approved franchise agreements for the Towns of Teulon and Arborg, the Village of Riverton, and RMs of Bifrost and Woodlands.

Since the conclusion of the public hearing natural gas prices had increased significantly. The Board had an Application before it seeking up to a 17.9% increase in rates for residential consumers and approximately 25% for other customer classes. The cost of gas embedded in the franchise application was $3.03/gigajoule. Centra's current cost of gas was approximately $4.94/gigajoule.

Given the recent increases in the commodity price of natural gas and the current level of residential sign-ups, there were serious questions respecting the projected level of customer attachments included in the feasibility test. Accordingly, the Board expected Centra to reconfirm the commitment of customers who have already signed up to receive natural gas service in light of the changed economics of converting to natural gas. In addition, the Board directed Centra to achieve sign-ups equivalent to projected year two volumes of the revised feasibility test before project construction begins.

The Board has also directed Centra to complete a customer survey of the village of Woodlands and align the design parameters with customer projections.

CENTRA GAS MANITOBA INC. APPLICATION FOR AN INTERIM EX-PARTE ORDER OF THE BOARD: 1. AUTHORIZING AND APPROVING AN AMENDMENT TO THE EXISTING FRANCHISE AGREEMENT BETWEEN CENTRA AND THE RURAL MUNICIPALITY OF GREY; 2. APPROVING THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO TWO CUSTOMERS WITHIN THE EXPANDED FRANCHISE AREA - *Order No. 109/00 - July 14, 2000*

On July 4, 2000 Centra applied to the Board for interim ex-parte approval of an amendment to the existing franchise

agreement between Centra and the Rural Municipality of Grey ("Grey"), and interim ex-parte approval of the financial feasibility test for expansion of Centra's distribution system to serve two customers within the expanded franchise area.

The Board was satisfied that this application had been filed in a manner consistent with the Board's requirements to have system extension applications supported by a feasibility test and a franchise agreement, the standard form of which has been previously determined by the Board.

The Board also reviewed the system design, as well as the feasibility test cost and revenue inputs and, on a prima facie basis, is satisfied that the Board's expansion criteria have been properly met. Due to the limited nature of this project, impacting only on two potential customers, and the need to commence construction as soon as possible, the Board approved the application on an interim ex-parte basis.

However, before proceeding with construction, the Board will require Centra to discuss the impact of recent cost of gas changes with the potential customers to ensure that they are still prepared to convert to natural gas.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN ORDER APPROVING INTERIM PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER AUGUST 1, 2000 - *Order No. 115/00 - July 31, 2000*

Pursuant to the RSM already approved by the Board in Order No. 55/00 Centra filed its first application for approval of an increase for the sales rate Centra charges for primary gas. Primary gas is sourced in Western Canada and represents between 86% to 94% of the natural gas commodity that is used annually by consumers.

Consumers have a choice as to whether to purchase their primary gas through Centra or through an ABM.

Since November 1993, Centra has purchased natural gas under a market indexed pricing formula which has resulted in significant volatility in gas costs because of market volatility.

Presently, and since December 1, 1999, the primary gas rate charged by Centra was $3.003/GJ. However, since December of 1999 natural gas prices had escalated. Centra's 12-month forward forecast price for primary gas was $5.673/GJ. While this price was reduced to $5.187/GJ by taking into consideration the natural gas Centra has in storage and price management effects, the price was nearly $2.84/GJ higher than the cost of primary gas embedded in the current sales rates approved by the Board.

In this Application, Centra sought to follow the Rate Setting Methodology established in Board Order 55/00 dated April 17, 2000.

Centra's application resulted in an average annual bill increase of 16.1% or $137 per year for a typical residential customer, and an increase between 16.9% and 28.5% for commercial customers.

While the Board remained of the view that consumers should see the actual cost of their primary gas on their bills, the Board

expressed concern that in periods of extreme price volatility, passing the full commodity cost of natural gas directly to consumers may cause undue hardship. Therefore, the Board approved the primary gas rate requested by Centra even though it only reflected 50% of the difference between forecast prices and prices currently charged to consumers.

Centra advised the Board that the estimated cumulative balance in all of the PGVAs as at December 31, 2000 is forecasted to be $53 million.

CENTRA GAS MANITOBA INC. APPLICATION FOR AN INTERIM EX PARTE ORDER OF THE BOARD: 1.AUTHORIZING AND APPROVING A FRANCHISE AGREEMENT BETWEEN CENTRA GAS MANITOBA INC. AND THE RURAL MUNICIPALITY OF MINTO; 2. APPROVING THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO ONE CUSTOMER WITHIN THE PROPOSED FRANCHISE AREA - ***Order No. 123/00 - August 30, 2000***

On August 23, 2000 Centra applied to the Board for interim ex parte approval and authorization of a franchise agreement between Centra and the Rural Municipality of Minto ("Minto"), and interim ex parte approval of the financial feasibility test for expansion of Centra's distribution system to serve one customer within the proposed franchise area.

The Board was satisfied that this application had been filed in a manner consistent with the Board's requirements to have system extension applications supported by feasibility tests and franchise agreements with municipalities.

The Board reviewed the system design, as well as the feasibility test cost and revenue assumptions, and was satisfied that the Board's expansion criteria have been properly applied. Due to the limited size of this project, impacting only one potential customer, and the need to commence construction as soon as possible, the Board approved the application on an interim ex parte basis.

CENTRA GAS MANITOBA INC. APPLICATION FOR AN INTERIM EX PARTE ORDER: 1. AUTHORIZING AND APPROVING AN AMENDMENT TO THE EXISTING FRANCHISE AGREEMENT BETWEEN CENTRA GAS MANITOBA INC. AND THE RURAL MUNICIPALITY OF ROSSER; 2. APPROVING THE FINANCIAL FEASIBILITY TEST FOR THE EXPANSION OF NATURAL GAS TO ONE CUSTOMER WITHIN THE EXPANDED FRANCHISE AREA - ***Order No. 140/00 - October 27, 2000***

On September 20, 2000 Centra applied to the Board for interim ex parte approval of an amendment to the existing franchise agreement between Centra and the Rural Municipality of Rosser ("Rosser"), and interim ex parte approval of the financial feasibility test for expansion of Centra's distribution system to serve one customer within the subject franchise area.

The Board was satisfied that this Application was consistent with the Board's requirements for system extension applications, both in terms of the Board's approved feasibility test

and franchise agreements with municipalities.

The Board reviewed the system design, as well as the feasibility test cost and revenue assumptions, and, on a prima facie basis, was satisfied that the Board's expansion criteria have been properly met. Since the 30 year NPV of the project was positive using conservative assumptions for consumption, and Centra will have no rate base investment in the project. Due to the need to commence construction as soon as possible, the Board approved the Application on an interim ex parte basis.

The Board understood that pursuant to Centra's agreement with Agricore, Agricore was entitled to a refund of a portion of its customer contribution if actual volumes exceed the volumes assumed in the feasibility test. The Board further understands that the agreement provides for no interest to be paid. The Board required Centra to provide a copy of this agreement.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN INTERIM ORDER APPROVING PRIMARY GAS SALES RATES TO BE EFFECTIVE FOR ALL GAS CONSUMED ON AND AFTER NOVEMBER 1, 2000 - *Order No. 142/00 - October 30, 2000*

On September 26, 2000, Centra applied to the Board for approval of Primary Gas sales rates to be effective November 1, 2000, the second quarterly rate change under the RSM. This Application was filed on an interim basis in accordance with the Rate Setting Methodology and Process approved in Order 55/00.

As a commodity subject to market fluctuations, natural gas prices respond to supply and demand forces in the unregulated market. This increase in natural gas prices resulted from market conditions. The increases in natural gas prices are a North-American phenomenon in part caused by an upturn in North American demand.

Centra passes the price it pays for natural gas directly to their customers with no mark-up. Centra does not profit from gas cost increases. The commodity cost of Primary Gas, the subject of this Application, represented only a portion of the customer's bill. Other components of the bill include costs related to supplemental gas, transportation to Centra, distribution to the customer, alternate gas service, if applicable, and a basic monthly charge, all of which were not changing as a result of the Application.

While the Board remained of the view that consumers should see the actual cost of their Primary Gas on their bills, the Board was again concerned that in periods of extreme price volatility, such as the current market, passing the full commodity cost of natural gas directly to consumers may cause undue hardship. The Board noted that the Rate Setting Methodology seeks to balance the objectives of managing gas price volatility and maintaining market responsive pricing.

By letter dated October 23, 2000, pursuant to the requirement set out in Order 115/00, Centra advised that based on the closing prices as at October 20, 2000, the 12-month forward price is $6.451/GJ compared to the $5.978/GJ included in the application. Centra did not seek to amend their application. The Board was aware that as of

the date of the Order, market prices were lower than they were on October 20, 2000.

The Board, having considered the Application and the reasons therefore and the written submissions of all parties determined that the written public hearing process as contemplated by the Rate Setting Methodology and Process approved in Order 55/00 was sufficient for the Board to deal with the Application.

Further, the Board, being satisfied that the Application was consistent with market conditions and the Rate Setting Methodology, approved Centra's Application as filed on an interim basis.

AN APPLICATION BY CENTRA GAS MANITOBA INC. FOR AN INTERIM EX PARTE ORDER APPROVING CHANGES TO THE TERMS AND CONDITIONS OF SERVICE - ***Order No. 154/00 - December 5, 2000***

The Board in Order No. 19/00 ordered Centra to file for approval its revised Terms and Conditions of Service. The Board in Order No. 49/00 approved on an interim basis and subject to certain amendments the Terms and Conditions of Service as submitted by Centra. The amended document was dated April 13, 2000 and was filed with the Board and parties of record on that date.

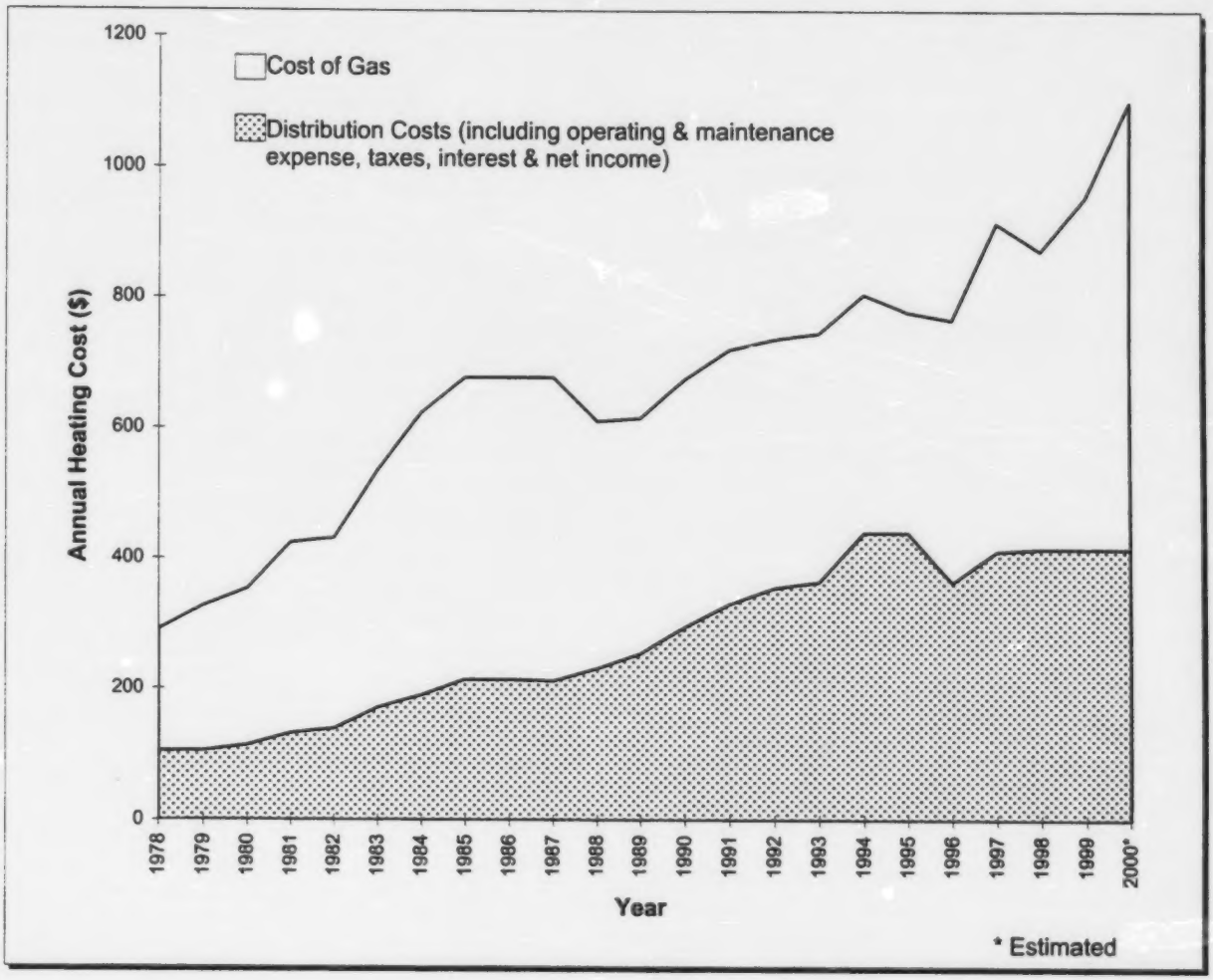
Centra proposed to amend its billing practices as contained in its Terms and Conditions of Service to conform with the practice currently in place at Manitoba Hydro.

In Order to do so Centra was proposing to reduce the number of days in which bills become due from 21 days after the mailing of the bills to 14 days after the mailing of the bills. Centra also proposed to change its current practice and to increase the number of days before which a late payment charge is levied from 21 days after the mailing of the bill to the next regular billing date (normally 30 or 31 days).

Centra also, by way of letter dated November 16, 2000, advised that it was proposing to reduce the Late Payment Charge Rate from 1.5% to 1.25%, in order to standardize this rate with Manitoba Hydro's rate. Centra indicated that the change was necessary as part of the harmonization of Centra's and Manitoba Hydro's billing practices in order to promote improved customer service.

The Board approved Centra's request including the reduction in the Late Payment Charge. The Board also approved the amended Terms and Conditions of Service as submitted by Centra and dated November 21, 2000.

FIGURE 1

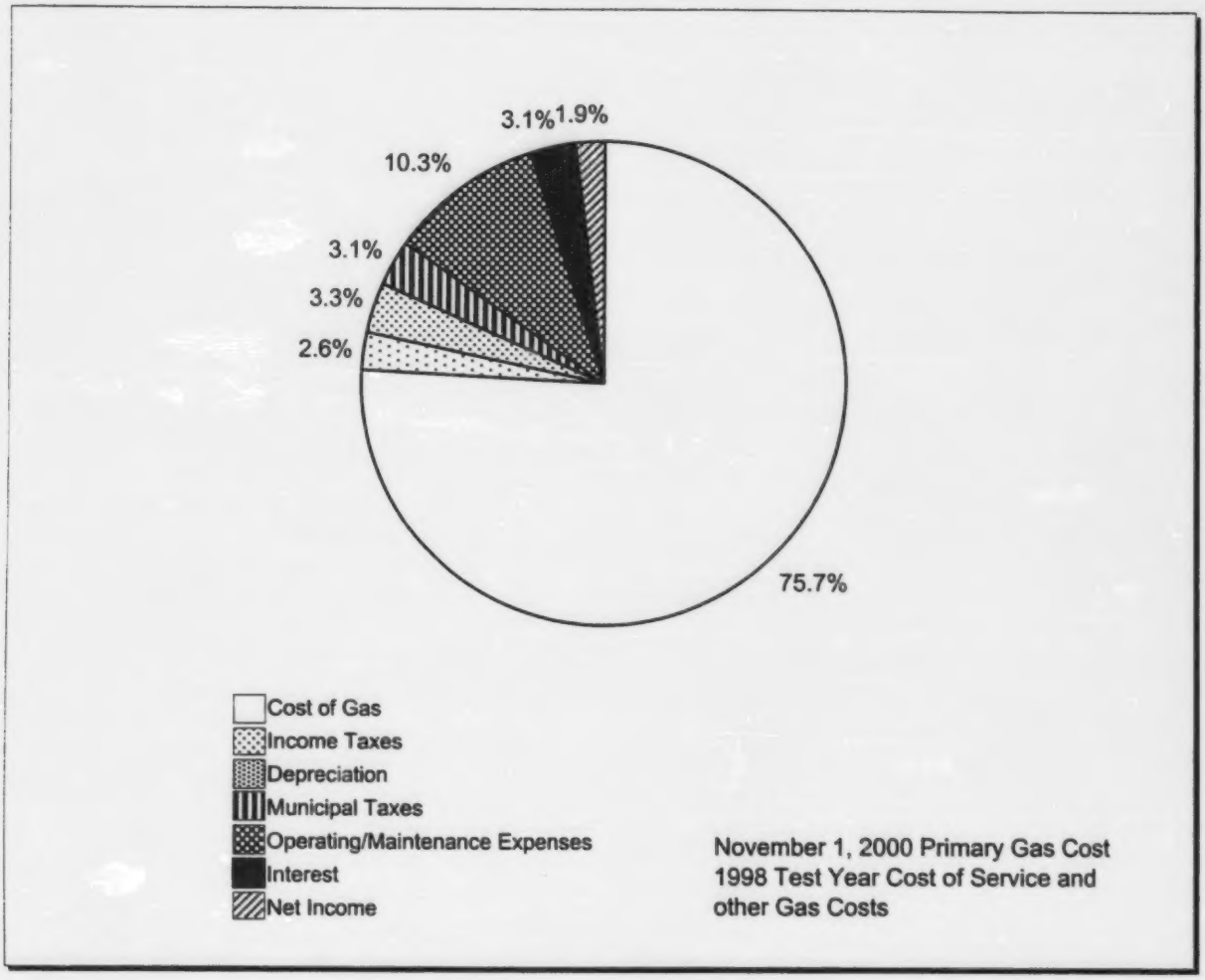


ANNUAL HEATING COST OF AN AVERAGE RESIDENTIAL CUSTOMER
(Annualized Basis)
Centra Gas Manitoba Inc.

Based on useage of 3,711m^3/year.

2000 costs are based on November 1. 2000 Primary Gas costs, 1998 Cost of Sevice and 1998 Other Gas Costs.

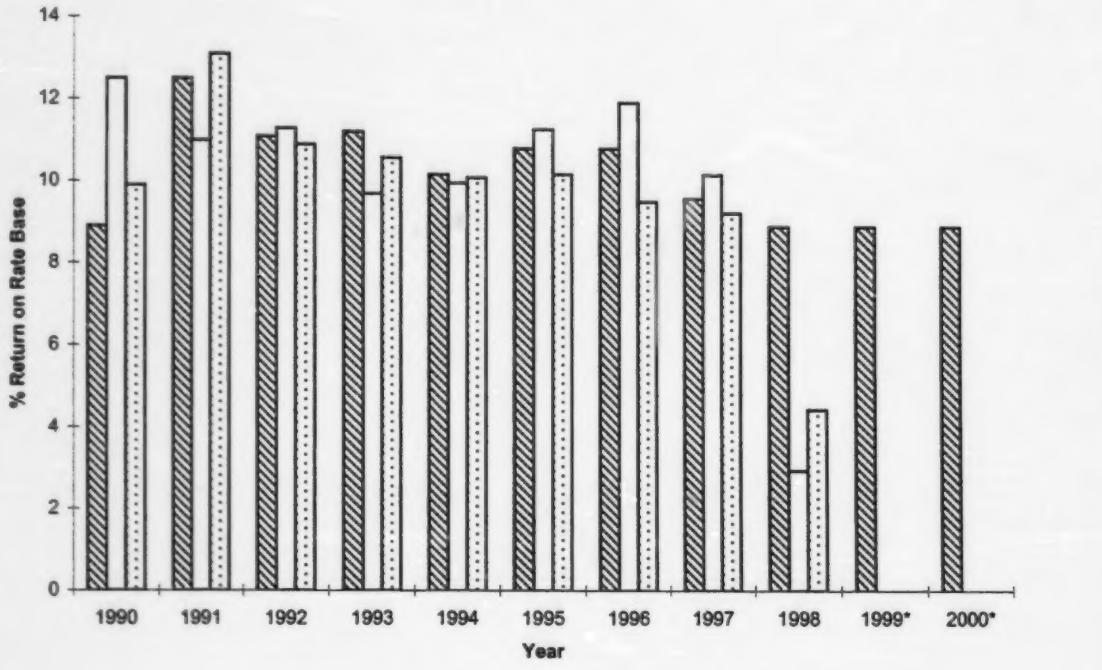
FIGURE 2



DISTRIBUTION OF GAS UTILITY SALES REVENUE
Centra Gas Manitoba Inc.

Cost of gas includes TransCanada Pipelines Limited transportation tolls, Federal and Alberta government taxes, royalties, and gathering system and producer costs

FIGURE 3



OVERALL RATE OF RETURN ON RATE BASE

Centra Gas Manitoba Inc.

NOTE: Overall rate of return is the return earned or allowed to be earned by a utility calculated as a percentage of its Rate Base i.e., investment in property, plant and equipment

NOTE: Normalized rate of return is that earned by the Company assuming normal weather.

GLADSTONE, AUSTIN NATURAL GAS CO-OP LTD.

APPLICATION BY THE GLADSTONE, AUSTIN NATURAL GAS CO-OP LTD. FOR INTERIM EX PARTE APPROVAL OF AN INCREASE IN THE SALES RATE TO BE CHARGED FOR ALL GAS CONSUMED ON AND AFTER NOVEMBER 1, 2000 – *Order No. 146/00 – November 7, 2000*

On October 23, 2000 the Co-op, filed an application with the Board requesting interim ex parte approval for a change in the Commodity Sales Rate to be charged for all consumption on and after November 1, 2000. The request was to increase the commodity charge in the rate schedule from $8.05/GJ to $11.72/GJ (45.6%), with the basic monthly charge of $10.00 per service to be unchanged. The Co-op stated that the increase was entirely as a result of increases in commodity price and the associated TransCanada Pipeline ("TCPL") transportation charges.

On October 27, 2000 the Co-op advised the Board that it had opted to invoke an option contained in its supply contract and enter into a fixed price arrangement for the balance of the year which resulted in a revised request for a lower commodity charge of $10.59/GJ (an increase of 31.6% in the commodity rate).

The Co-op indicated it was aware of customer concerns regarding rising energy costs, but submitted that it had no way of mitigating these market driven costs to customers.

The Co-op indicated that it entered into an indexed gas supply contract for the gas contract year ending October 31, 2001 with SaskEnergy Inc. The price payable for the 12-month period commencing November 1, 2001 will be the then current index price for the month at AECO-C.NIT as reported in the Canadian Gas Price Reporter, plus a premium of $0.30/GJ. The Co-op stated that SaskEnergy was awarded the contract after a review of quotations received from several reputable brokers and suppliers. The Co-op found that the SaskEnergy contract represented the least average unit cost to customers based on current market forecasts. The SaskEnergy contract allows for locking in a fixed price at the beginning of any month within the contract year, and that price would then apply to all remaining volumes purchased for the balance of the year.

TCPL Firm Service transportation costs have increased by $548 per month, or approximately $0.08/GJ, as approved by the National Energy Board. The estimated average unit transportation cost for 2000/20001 is $1.28/GJ, and $8.37/GJ for gas delivered at the city gate, including fuel and unaccounted for gas.

The Board was satisfied that the proposed revised commodity rate of $10.59/GJ properly reflected the least expensive gas costs that the Co-op was able to attract by an acceptable bidding process. The Board considered the action taken by the Co-op to fix the price at $5.90/GJ for the balance of the year to be reasonable and prudent, given

the recent large increases in natural gas prices, and the high uncertainty and volatility in the natural gas market.

SWAN VALLEY GAS CORPORATION

AN APPLICATION BY SWAN VALLEY GAS CORPORATION FOR AN ORDER OF THE BOARD APPROVING FRANCHISE AGREEMENTS, FIXING RATES, APPROVING THE FINANCIAL FEASIBILITY TEST AND OTHER MATTERS RELATED TO THE SALE AND DISTRIBUTION OF NATURAL GAS IN THE SWAN VALLEY AREA - ***Order No. 93/00 - July 4, 2000***

The Swan River Valley residents have been attempting to obtain natural gas service for over thirty years. The financial viability of extending natural gas service to Swan River Valley has been investigated for more than a decade by various companies, including SaskEnergy Inc. ("SaskEnergy"), resident committees, and other interested parties. A decision was made that the most appropriate manner to provide natural gas service to the Swan Valley area would be through a wholly owned Local Distribution Company, a subsidiary of SaskEnergy namely the Swan Valley Gas Corporation ("Swan Valley Gas"). SaskEnergy is a Saskatchewan Crown Corporation.

Under the scope of the project, Swan Valley Gas would provide gas service commencing at a metering station just inside the Manitoba border and would serve the three communities of Benito, Swan River, and Minitonas, in addition to the industrial customer Louisiana Pacific Canada Ltd. To transport the natural gas from the TransGas system at Norquay, Saskatchewan to the Swan Valley Gas system in Manitoba, a 37 kilometre transmission pipeline is being constructed. As a wholly owned subsidiary of SaskEnergy that provides inter-provincial transportation, Many Islands Pipeline, the owner of this pipeline will be regulated by the National Energy Board.

Potential customers were contacted by Swan Valley Gas by two separate letters, and town hall meetings were held in each of the three communities in January, 2000. An explanation was provided on the project scope, the fuel cost comparisons between natural gas, electricity, and propane.

The funding arrangements for the project were as follows:

	$	%
Western Diversification (federal)	$1,064,433	10.3
Prairie Farm Rehabilitation Act (federal)	$750,000	7.2
Infrastructure Secretariat (provincial)	$1,064,333	10.3
Rural Economic Development Initiative (provincial)	$750,000	7.2
Municipal Governments	$1,814,333	17.5
Customer Contributions	$1,427,000	13.8
Swan Valley Gas Corporation	$3,488,000	33.7
Total	$10,358,000	100%

The five local governments participating in the funding of the Swan Valley Gas project each passed by-laws allowing for their share of the funding to be made through the issuance of debentures. The level of funding from each is:

		%
R. M. of Swan River	$558,909	30.8
R. M. of Minitonas	$358,394	19.8
Town of Swan River	$755,416	41.6
Village of Benito	$ 68,765	3.8
Town of Minitonas	$ 72,648	4.0
Total	$1,814,333	100%

In support of its application for approval of a franchise, Swan Valley Gas filed the necessary feasibility test and franchise agreements.

Subsequent to the filing of the application and prior to the Board's decision, the cost of natural gas increased substantially as a result of market changes beyond the control of Swan Valley Gas. The commodity cost of gas went from the original cost of $2.90/Gj as communicated to customers in January, 2000, to the $3.50/Gj included in the application, feasibility study, and rates, through to the $5.00 – 5.50/Gj forecast at the time of the hearing. As the cost of gas increases, the economic benefits of natural gas are reduced and there was concern that the financial viability of the project may be in jeopardy. Swan Valley Gas undertook to communicate these changed circumstances to residents to obtain confirmation of their continued commitment to convert to natural gas service, and undertook to advise the Board of the outcome of that process.

The Board, in its Order approved the project subject to a number of conditions which are primarily related to the financial viability of the undertaking, obtaining appropriate customer attachments, obtaining the National Energy Board approvals, finalizing provincial and federal funding agreements, reviewing the Louisiana Pacific contract, finalizing the Terms and Conditions of Service, submitting final construction plans and submitting a revised rate schedule.

Swan Valley Gas Corporation wrote the Board on October 6, 2000 advising that all pertinent undertakings have been fulfilled for the Board to provide authority to construct the system noting more information would be filed to obtain authority to operate. The Board reviewed this filing and being satisfied that many of the issues related to viability had been reached provided authority to construct in its letter dated October 12, 2000.

APPROVAL OF RATES TO BE CHARGED BY SWAN VALLEY GAS CORPORATION, TERMS AND CONDITIONS OF SERVICE, AUTHORITY TO OPERATE, AND OUTSTANDING MATTERS FROM ORDER 93/00 – *Board Order No. 161/00 – December 15, 2000*

On December 12, 2000 Swan Valley Gas Corporation submitted to the Board the balance of the undertakings and sought the Board's approval to, amongst other things, operate the system.

The Board considered all conditions in Order 93/00 to be satisfied and issued Order

161/00 providing the Authority to Operate the system.

DIRECT PURCHASE OF NATURAL GAS

As of December 31, 2000 and for the natural gas year November 1, 2000 to October 31, 2001 the Board registered 15 companies for the brokerage of natural gas supplies to Manitobans.

The Board continued to monitor and supervise this direct purchase market. A number of enquiries were handled throughout the year.

Centra Gas Manitoba Inc. reported that, during the calendar year 2000, 305 new direct purchase arrangements were submitted by Brokers. Gas started flowing for a total of 279 new accounts in 2000. A total of 4,164 accounts were terminated. 26 applications were rejected because of inadequate information or because the customer was already under a direct purchase arrangement. As of December 31, 2000 natural gas was flowing for approximately 41,968 accounts under direct purchases of these 9,213 were ABC customers and 32,755 were buy/sell customers.

Staff handled about 400 calls from customers who had received marketing information from a broker offering a fixed price contract. Staff generally advise customers about the rules applicable to Brokers and the markets for gas without commenting on the merits of the offer.

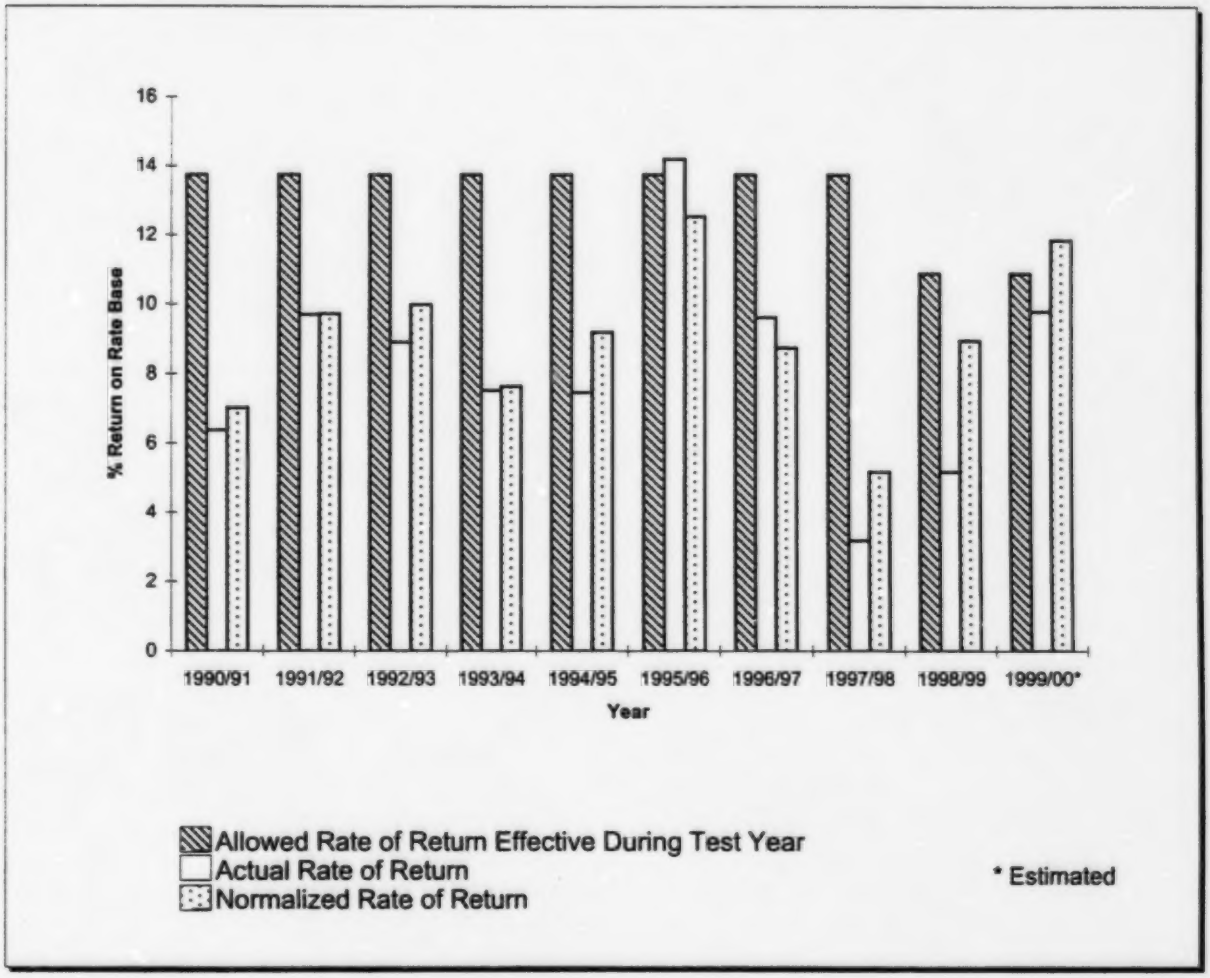
PROPANE GAS DISTRIBUTION

STITTCO UTILITIES MAN LTD.

The Board examined the new propane supply contract between Stittco Utilities Man Ltd. and Quadra Energy Trading and its impact and in Order No. 120/00 dated August 21, 2000 indicated that it was satisfied that Stittco had conducted an appropriate tendering process and awarded the propane supply contract to the lowest bidder. The Board approved the requested increase in rates and a rate rider of $0.309 per cubic metre flowing from the marketplace and the contract. The rate rider would result in an overall increase of 14.8% in the propane costs to the consumer.

On December 19, 2000 Stittco applied to the Board for an additional rate rider to recover the increased cost of propane. Stittco indicated that propane prices are closely aligned with the price of natural gas and crude oil which are determined by global market forces and that the new price was 53% higher than the price estimated in August of 2000. Accordingly, Stittco sought the Board's approval for an additional rate rider of $0.4341 per cubic metre. This rate rider would result in an overall increase of approximately 15% in the propane costs to the consumer. As of December 31, 2000 this matter was being reviewed by the Board.

FIGURE 4



OVERALL RATE OF RETURN ON RATE BASE

Stittco Utilities Man. Ltd.

NOTE: Overall rate of return is the return earned or allowed to be earned by a utility calculated as a percentage of its Rate Base i.e., investment in property, plant and equipment

NOTE: Normalized rate of return is that earned by the Company assuming normal weather.

SERVICE DISCONNECTION AND RECONNECTION

The disconnection and reconnection of service by public utilities is regulated pursuant to Section 104.1 of The Public Utilities Board Act. Board Order Nos. 107/94, 77/93 and 139/92 approved the policies and procedures for service disconnection and reconnection by Centra Gas Manitoba Inc. and Stittco Utilities Man Ltd. These policies and procedures also apply to the Gladstone, Austin Natural Gas Co-op and the Swan Valley Gas Corporation.

The major activities of the Board in this area of responsibility are as follows:

1) Handle inquiries from the public (telephone, in-person interviews).
2) Conduct hearings on customer appeals against the disconnection action.
3) Review on-going disconnect reports submitted by the utility and audit such reports.

CENTRA GAS MANITOBA INC.

Staff handled about 500 calls from customers who were disconnected or about to be disconnected. This is down to normal annual levels from a peak of 1000 calls in 1999. The calls and inquiries generally dealt with the customers' obligations in settling their accounts and the appeal procedures of the Board. The number of customers in the residential class with large outstanding amounts continue to fall allowing the Company to focus in on customers with smaller amounts outstanding causing additional calls to the Board.

Residential customers generally requested the continuation of service and more favourable repayment terms from Centra.

Complaints from commercial customers were minimal and complaints from landlords levelled off. They generally dealt with security deposits and disputes about responsibility for the bill.

Activity to December 31, 2000

CENTRA GAS MANITOBA INC.	1993	1994	1995	1996	1997	1998	1999	2000
Total residential customers disconnected	3875	3346	3284	3924	3151	3650	4151	3177
Total residential customers reconnected	3800	3277	3158	3842	3065	3557	3922	2851
Vacant, alternative heat etc. and disconnected	75	69	126	89	86	93	219	326
Commercial disconnected	548	458	512	457	459	443	372	306
Commercial reconnected	501	430	487	439	448	418	212	257
Vacant, alternate heat, etc. and disconnected	47	28	25	18	11	25	160	149

Customers who contacted the Board were given information about the policies and procedures and also, were advised to attempt to resolve their dispute with Centra. Failing a resolution, an appeal hearing was held.

The Board issued two (2) Orders, both dealing with elderly customers and their ability to work out a payment schedule. A large number of complaints were referred to Centra by Board staff and resolved without the need for a hearing. This also included having the customer meet with Centra to discuss the issues.

As in previous years several audits were undertaken to evaluate Centra's compliance with the legislation and the Board approved policy and procedures. These audits involved reviewing the Centra's customer files and in some cases contacting the customer.

The Board conducted an audit of Centra's disconnected files. Each file was reviewed to evaluate the adequacy of information for compliance with the approved procedure. Specifically, the Board reviewed those files wherein the building was deemed to be vacant. The Board also reviewed files to determine if proper notice of disconnect was given and if there were any instances of unusual hardship being experienced by the disconnected customer, specifically with the elderly, the sick and those with children. In cases where there were concerns, the Board

asked Centra to further review specific files and report back. The Board was satisfied with the quality of information which continue to show significant improvement over previous years.

There was a decrease in the number of customers disconnected over last year which was due in part to the difficulty Centra had with its computer software and the late commencement of the lock-off program.

STITTCO UTILITIES MAN LTD.

A total of 12 customers (1 commercial) were disconnected in 2000 (26 in 1993; 20 in 1994; 18 in 1995; 13 in 1996; 24 in 1997; 23 in 1998 and 5 in 1999). One residential customer remains disconnected at his request. The other remaining disconnection is a commercial customer.

GLADSTONE, AUSTIN NATURAL GAS CO-OP

There were no disconnections by the Co-op in 1997, 1998, 1999 and 2000.

SWAN VALLEY GAS CORPORATION

Swan Valley Gas Corporation started operating in mid-December and did not report any disconnections.

THE GAS PIPE LINE ACT

The Gas Pipe Line Act (the Act), administered by the Board, governs the public safety aspects of the distribution of natural gas by Centra Gas Manitoba Inc., Gladstone, Austin Natural Gas Co-op and Swan Valley Gas Corporation, of propane by Stittco Utilities Man Ltd. in Thompson, Snow Lake and Flin Flon, and of propane by Manitoba Housing Authority in Churchill.

The Board's primary responsibility is twofold. Firstly, the Board reviews pipeline owners adherence to safety standards as adopted by the Board and/or by Regulations to the Act. The enforcement is accomplished by reviewing and approving all plans of proposed construction and by monitoring the field construction, installation and inspection procedures.

The second major area of responsibility involves the investigation of pipeline damage occurrences, explosions and/or fires caused by either propane or natural gas. Such investigations may lead to recommendations related to the distributors' emergency procedures and may also involve recommendations to other agencies and stakeholders in order to prevent similar incidents in the future.

In 2000, there were 128 reported incidents of pipeline damage, of which 107 resulted in "blowing" gas. The major causes of such occurrences were related to third party excavations for which clearance was not sought from the utility. Others were caused by excavators not following safe excavation procedures and by improper line location provided by the utility. Parties continue to meet with excavators to make them aware of the Regulations.

The Board is represented on the Canadian Standards Association (CSA) Steering Committee, Technical Committee and Gas Advisory Council on Oil and Gas Pipeline Systems.

MANITOBA HYDRO

Manitoba Hydro rates are approved by the Board under *The Crown Corporations and Public Review and Accountability Act, The Manitoba Hydro Act* and *The Public Utilities Board Act.*

Manitoba Hydro's last application to the Board for approval for rates was made in 1995, for rates effective April 1, 1996 and 1997. No general rate application has been made since that time.

Curtailable Services Program

Manitoba Hydro offers to its large customers service under the Curtailable Services Program (CSP) that in exchange for a rate discount Manitoba Hydro reserves the right to curtail these customers in times of need to serve firm loads. Such an arrangement is an alternative to constructing reserve or peaking facilities and has become an important part of demand side management strategies of many utilities in North America. The ability to curtail service to large customers on short notice provides Manitoba Hydro with the added flexibility to respond to emergencies and to improve its ability to market short-term firm power to other markets.

Surplus Energy Program

On October 25, 1999 Manitoba Hydro applied to the Board for the establishment of the Surplus Energy Program (SEP) to supersede the Industrial Surplus Energy, Dual Fuel Heating and Surplus Energy Services to Self-Generators programs. The SEP is designed to allow eligible customers to have access to surplus energy on terms relatively similar to those available to export customers. SEP reasonably addresses the key rate design issues of fairness and cost recovery.

The Board dealt with Manitoba Hydro's application using a written hearing process together with a provision to hear rebuttal arguments on May 17, 2000. The application was of interest to the City of Winnipeg/Winnipeg Hydro, Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors, Manitoba Industrial Power Users' Group and several large volume users who were concerned about the economic value of the service to Manitoba Hydro and the balance of its customers, and the terms and conditions of the service.

After considering all the evidence, the Board, in Order No. 90/00 dated June 30, 2000 approved the SEP with an expiry date of March 31, 2004 and also, required Manitoba Hydro to file annual reports on the program to assess the market experience. Order No. 132/00 dated September 29, 2000 dealt with a slight amendment to the terms and conditions of the service.

Throughout 2000, the Board issued several interim ex parte Orders approving weekly spot market rates pursuant to the Surplus Energy Program (SEP) formally known as the Industrial Surplus Energy Program.

Limited Use Billing Demand Service

On January 27, 2000 Manitoba Hydro applied to the Board for an Order approving a rate option for customers with Limited Use Billing Demand (LUBD). The LUBD was in response to issues raised by certain low load factor and seasonal customers with regards to the demand charge and winter ratchet approach to billing. The Board established a written hearing process to consider this application together with a process to hear rebuttal argument on May 17, 2000.

The LUBD application was of interest to the City of Winnipeg/Winnipeg Hydro, CAC/MSOS, MIPUG and several large volume customers. Concerns with respect to this application again focussed on the economic value of the service to Manitoba Hydro and to eligible customers and the terms and conditions of service.

The Board in Order No. 91/00 dated June 30, 2000 approved Manitoba Hydro's application with an expiry date of June 30, 2002. The Board noted that the LUBD program will not provide full and complete relief to all customers, particularly the operators of ski resorts but noted that Manitoba Hydro was studying several rate issues and reminded Manitoba Hydro that these reports were yet to be filed.

MANITOBA PUBLIC INSURANCE

The Manitoba Public Insurance Corporation ("the Corporation") filed an application with The Public Utilities Board ("the Board") on June 7, 2000 for approval of premiums to be charged for compulsory driver and vehicle insurance ("basic insurance") for the insurance year commencing March 1, 2001 and ending February 28, 2002 ("fiscal 2002"). The Corporation subsequently amended its application on October 2, 2000 and on November 8, 2000. The Corporation sought no overall change in vehicle insurance premium revenue and no change to existing driver basic premiums, but requested a surplus dividend totalling $75.4 million by way of a ***one-time*** 16.6% reduction of motor vehicle premiums otherwise payable on insurance renewals during fiscal 2002. The surplus dividend proposed would reduce the excess funds in the Rate Stabilization Reserve ("RSR"). Total earned revenue in fiscal 2002 was forecast to be $483.5 million, and net income was forecast to be $28.7 million after investment income of $67.7 million.

In 1995, the Corporation implemented a multi-year RSR plan to rebuild the retained earnings for basic insurance from a deficit balance of $49.9 million. The Board approved a 2% RSR contribution for fiscal 1997, followed in fiscal 1998 by a further 2% RSR contribution, and an additional 1% RSR contribution in fiscal 1999. The Board then decreased the RSR contribution in fiscal 2000 by 1% and eliminated the remaining 4% RSR adjustment in fiscal 2001.

As a result of contributions made directly and indirectly by motorists to the RSR through the dedicated RSR contributions totalling approximately $55 million, as well as from profits on operations, investment income and a $39 million gain on the sale of investments, there was a $227 million improvement in the RSR from a $49.9 million deficit in fiscal 1996 to a surplus of $177.3 million projected for fiscal 2002.

Given the significant forecasted balance in the RSR, the Board approved the one-time surplus dividend of 16.6% to be refunded to each policyholder for all policies issued during fiscal 2002.

The Board agreed with the Corporation's stated view that the purpose of the RSR is to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors. In principle, the RSR should not be used to offset base premium increases which would be necessary to ensure that forecasted revenue is sufficient to cover forecosted costs in a particular year.

The Corporation's financial projections for the fiscal year ended February 28, 2002 indicated a net income of over $28 million. It was the Board's view that this level of income is inconsistent with the stated object that the Corporation will set rates to break even over the long term on basic compulsary insurance. However, in light of the magnitude of the surplus dividend approved,

the Board was reluctant to consider a reduction in base premiums at this time in addition to the surplus dividend. To do so would seriously impact the accepted principles of stable, understandable and acceptable rates.

Even though the application was based on no requirement for an overall increase in revenue, major use classifications receive different vehicle premium impacts both before and after consideration of the $75.4 million surplus dividend as follows:

	Before Dividend	After Dividend
Private passenger vehicles	-0.4%	-17.0%
Commercial	+8.5%	-9.5%
Public	+0.4%	-16.4%
Motorcycle	+15.0%	-4.2%
Trailers	+5.1%	-13.7%
Off-road vehicles	+1.3%	-16.3%
Overall	**0.0%**	**-16.5%**

Experience based adjustments vary by vehicle within a range from -15% to +15%, taking into account claims history based upon insurance use, territory in which the vehicle is driven, and type of vehicle. Those vehicles for which premiums do not cover the expected full cost of insurance benefits and coverage were therefore facing experience adjustments. The Board approved all experienced based adjustments as applied for by the Corporation.

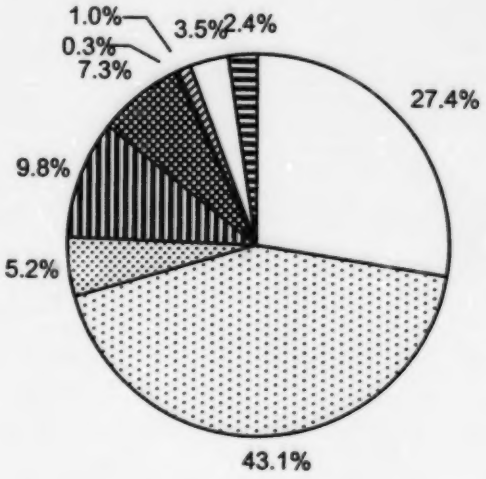
The Board approved the requested new rates for common carrier passenger vehicles (local), based on the all purpose passenger vehicle rate plus 5%, agreeing with the Corporation's contention that it is more appropriate to align the rating treatment of these vehicles with that of light trucks used for the same purpose.

The Board approved the Corporation's proposed changes to its current bonus/malus system. The demerit point additional premiums assessed against drivers who have accumulated more than five demerits had been increased by $50 for each existing demerit point level up to a maximum of $999. The accident surcharge levied against at-fault drivers had also been increased to range from $200 to $1,200. In addition, the Corporation extended the surcharge to those drivers who have been free of at-fault accidents for six years. Now a driver who has an at-fault accident will pay the surcharge and not lose the 25% discount after the first at-fault accident.

The Corporation proposed two new rate initiatives for motorcycle rates, adopting seasonal rates and motorcycle type rate differentials.

The Board agreed with the Corporation on the benefits for the motorcyclists including a more flexible riding season and greater administrative and personal efficiency for riders. The Board did not accept the Corporation's full proposal of motorcycle type differentials. However, the Board did approve a rate differential of 105% for motorcycles in the sport bike classification as they are expected to present the greatest risk on a revenue neutral basis balanced back over the other motorcycle classifications. The Board directed the Corporation to make further refinements to the rating differentials and consult with the Coalition of Manitoba Motorcycle Groups and report back at the next year's general rate application.

FIGURE 9



Claims Incurred Costs Bodily Injury Accident Benefits - 27.4%
Claims Incurred Costs (Other) - 43.1%
Rate Stabilization Revenues (Total Including Retained Earnings) - 5.2%
Claims Expenses - 9.8%
Operating Expenses - 7.3%
Regulatory/Appeal Expenses - 0.3%
Cost of Road Safety Programs - 1.0%
Commissions - 3.5%
Premium Taxes - 2.4%

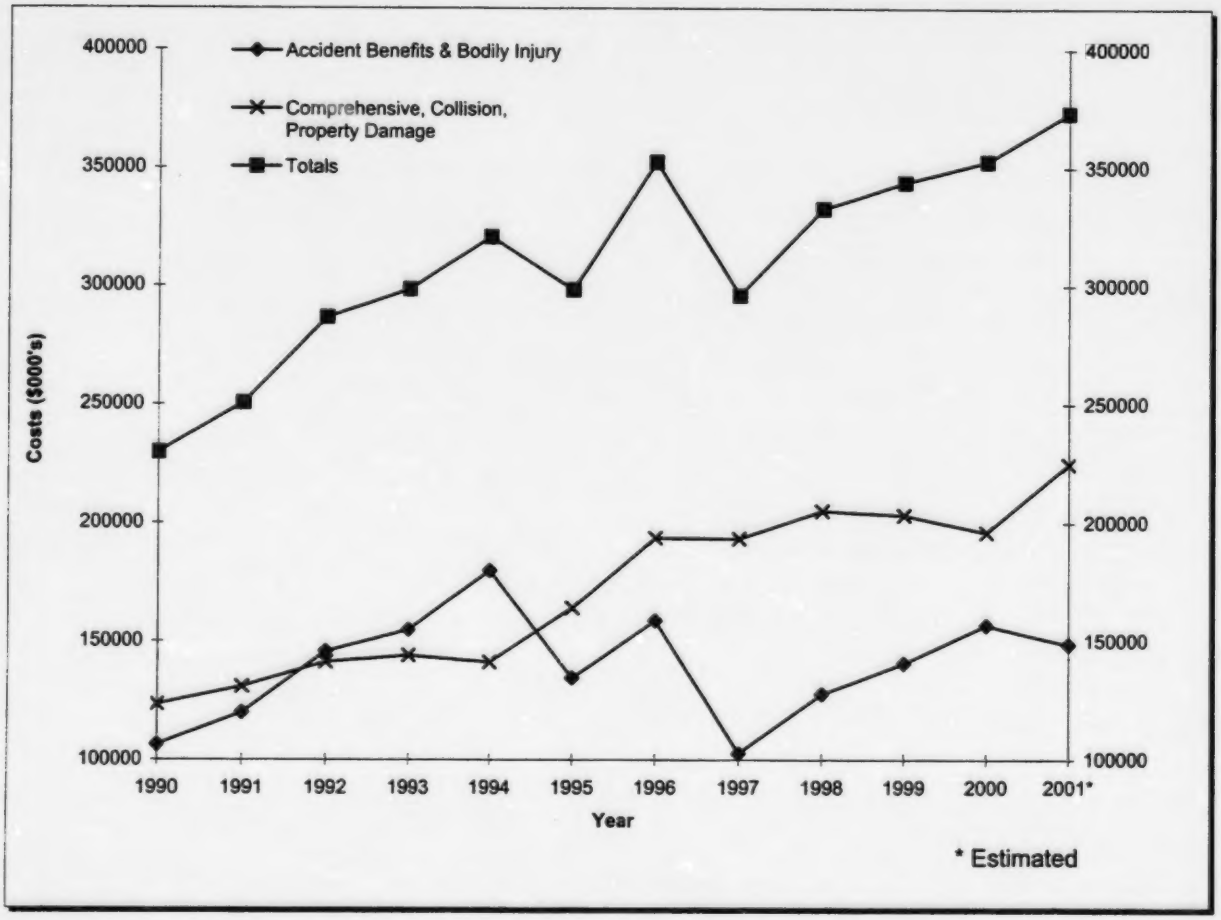
2001/2002 INSURANCE YEAR
(Estimated by Financial Forecast Method)

DISTRIBUTION OF NET REVENUES
BASIC DIVISION

Manitoba Public Insurance

Drivers' Premiums, Motor Vehicle Premiums, Investment Income less reinsurance ceded

FIGURE 10

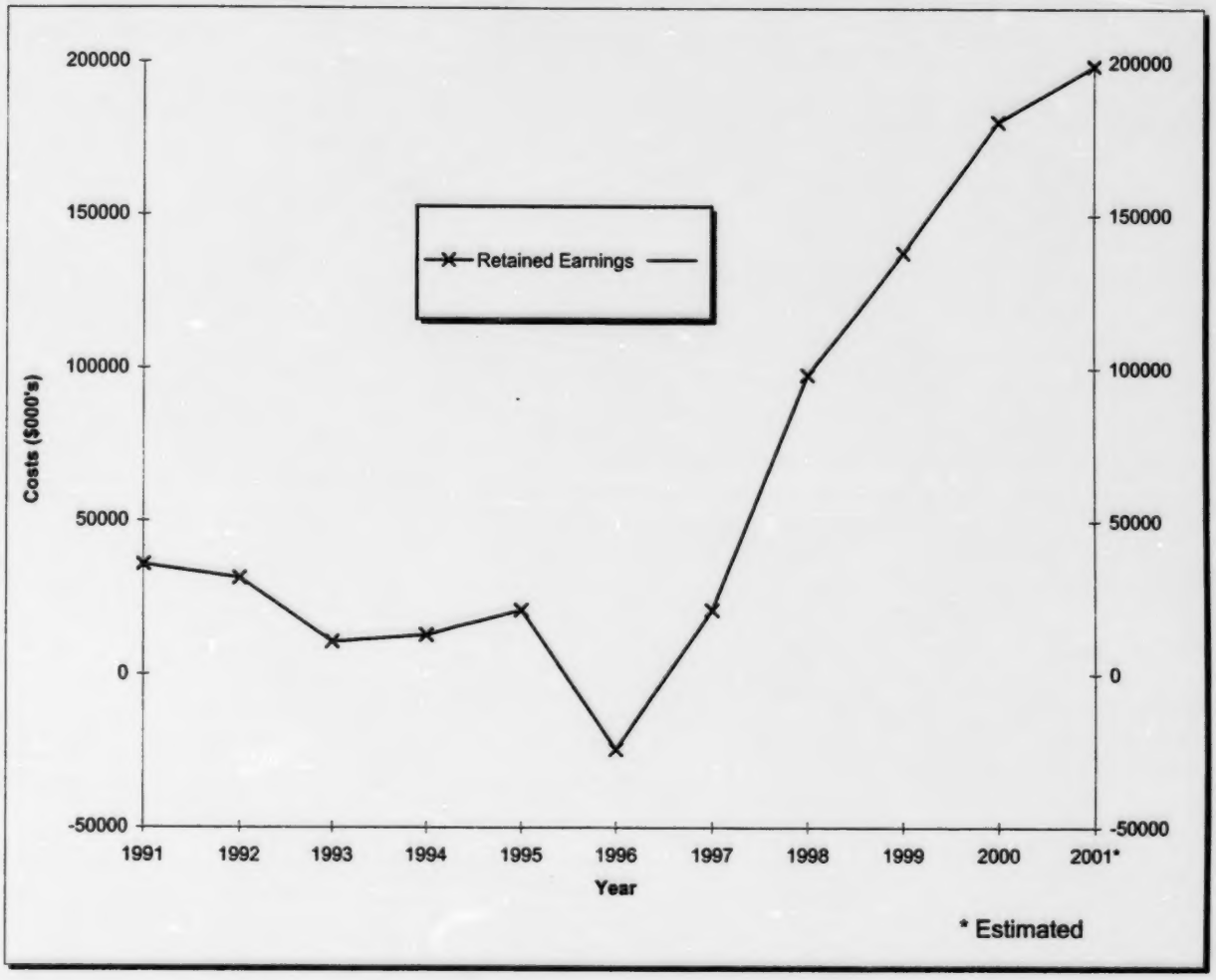


MANITOBA PUBLIC INSURANCE
CLAIMS INCURRED COSTS

BASIC DIVISION

Insurance Year Ending Feb. 28

FIGURE 11

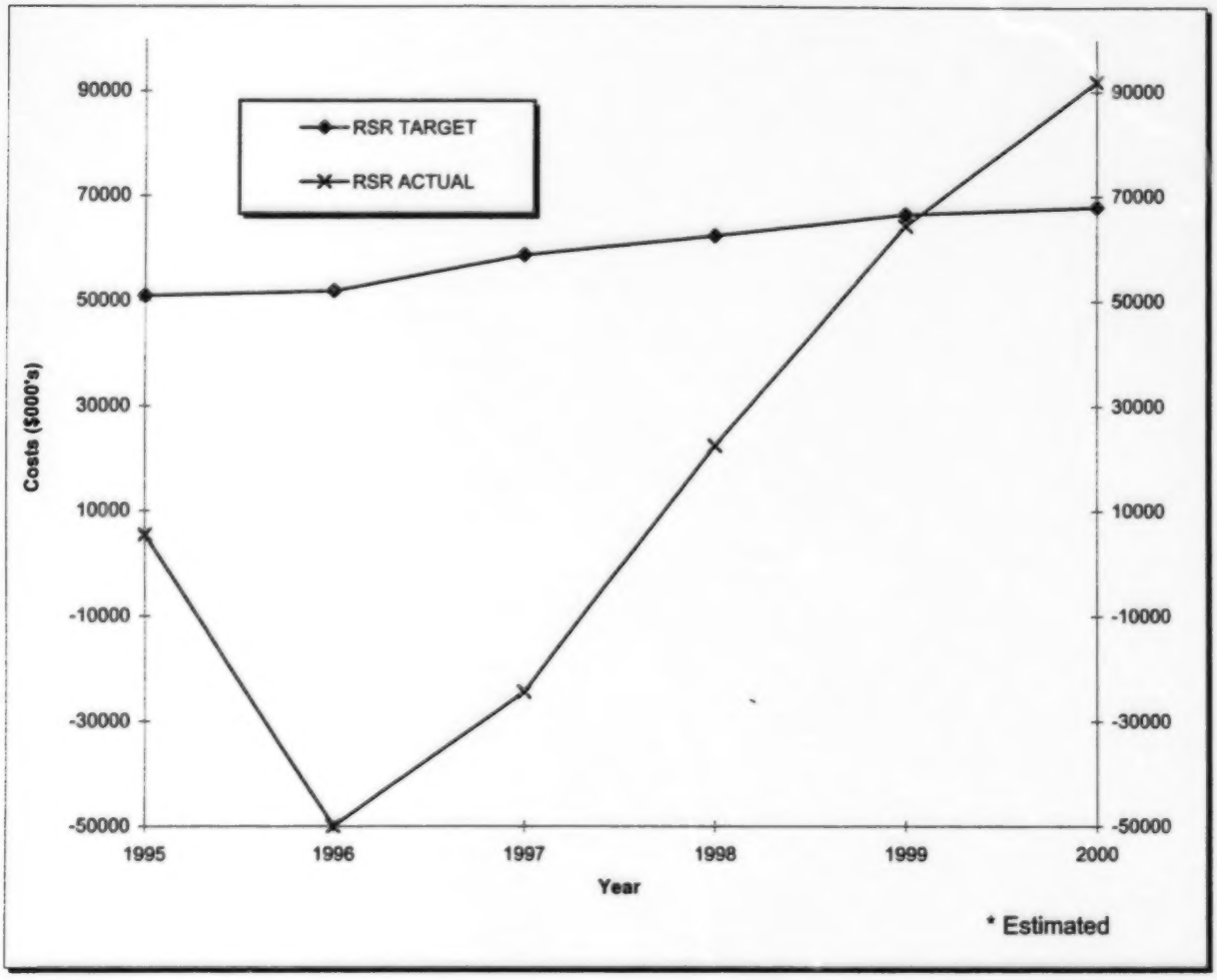


MANITOBA PUBLIC INSURANCE
RETAINED EARNINGS

(Basic, Extension and Special Risk Endorsement)

Insurance Year Ending Feb. 28

FIGURE 12



MANITOBA PUBLIC INSURANCE
BASIC RATE STABILIZATION RESERVE

Target is shown at 15% of Direct Premiums Written

Insurance Year Ending Feb. 28

THE MUNICIPAL ACT/THE CITY OF WINNIPEG ACT

WATER AND SEWER UTILITIES

The Board issued a total of 51 Orders respecting applications filed with the Board by local municipal authorities, as set out below:

(i) 33 Orders were issued respecting applications for approval and authorization for methods of recovery pertaining to operating deficits for the year ended December 31, 1998.

(ii) 18 applications for revisions, amendments to or establishment of rates were processed and Orders were issued authorizing same. Board guidelines which have been prepared and distributed to local authorities were applied wherever possible to assist with rate design and to ensure that sufficient revenue would be provided to cover normally anticipated operating expenses plus an adequate contingency allowance. Applications were handled by public hearing or returnable date notice. In all cases the municipalities and affected water and sewer customers were served appropriate notice.

The Board's staff assisted applicant municipalities and others contemplating changes and seeking guidance in the preparation of their applications thus reducing the cost to the municipalities in preparing a report. Board's staff met frequently with municipal representatives to ensure that applications were filed in the form prescribed by the Board, pursuant to statute. In most instances, these applications required the preparation of rate studies, and when necessary, public hearings were held in the applicant municipalities.

THE HIGHWAYS PROTECTION ACT

Pursuant to Section 21 of The Highways Protection Act the Board is the appeal body to decisions of The Highway Traffic Board respecting applications for permits for the change in use of an access driveway, the relocation of an access driveway, or the construction of an access driveway onto a Limited Access Highway (LAH) and also, the building of structures within the control limits of LAH.

The Board conducted three hearings in 2000 respecting farm access to Provincial Trunk Highway (PTH) No. 5 in the Rural Municipality of Dauphin, a commercial access driveway onto PTH No. 10 in the Town of The Pas and an off premise advertising sign adjacent to PTH No. 10 in the Rural Municipality of Park.

THE PREARRANGED FUNERAL SERVICES ACT

Pursuant to The Prearranged Funeral Services Act, the Board is responsible for licensing companies selling prearranged funeral plans and for reviewing the operations of these firms as to conformity with statutory requirements.

In 2000, the Board issued 22 renewal licences. Eleven applications for revisions in fees for services were acknowledged.

The Board continued to review and monitor the annual reports filed by the licensees and their trustees in respect of the prearranged funeral plans being sold and the contracted funds maintained in trust.

THE CEMETERIES ACT

Pursuant to Part III of The Cemeteries Act, the Board reviews applications and issues licences to the owners of cemeteries, columbariums and mausoleums that are owned and operated for gain and if not owned and operated for gain, where more than 15 sales of plots occur in any year. Cemeteries related to religious denominations or owned by municipalities are not required to be licensed by the Board.

Pursuant to Part II of the Act, the Board approves the plans of and issues licences for the operation of crematories.

During the year the Board issued renewal licences for the operation of 10 cemeteries, 29 columbariums, 5 mausoleums, 13 crematories and initial licenses for the operation of 1 crematory and 1 cemetery.

58 licences and 4 transfer licences to sell cemetery services were issued either to owners or to their sales personnel. In addition, 23 applications for revisions in schedules of fees for spaces, materials and services were authorized. 1 initial sales agreement was approved.

The Board continues to monitor the licensee's compliance for the passing of accounts in respect of perpetual care funds collected and deposited in trust funds with authorized trustees pursuant to The Cemeteries Act and pursuant to legislation passed in 1999 will assume responsibility for the passing of such accounts from the Court of Queen's Bench.

FINANCIAL INFORMATION

REVENUES/EXPENDITURES

The financial affairs of the Board are conducted through the Estimates of the Department of Consumer and Corporate Affairs. Accordingly, the expenses of the Board are paid out of the Consolidated Fund and then these expenses are recovered from the regulated industries.

For the fiscal year ending March 31, 2000 the Board's expenditures and revenues were as follows:

Revenues		$1,492,919.09
Expenditures		
Rate regulation and safety related costs	$654,388.11	
Salaries and Per Diems	$511,475.73	
Difference		$ 327,055.25

Order No. 38/89 sets out the means by which the Board recovers its expenditures relating to proceedings before the Board. Order No. 2/94 together with Order-in-Council 142/1994 provide for the Board to recover costs including administration and salaries from the major regulated industries including Manitoba Public Insurance, Manitoba Hydro, Centra Gas Manitoba Inc. and Stittco Utilities Man Ltd.

INTERVENER FUNDING

Pursuant to The Public Utilities Board Act and Order No. 163/87, the Board may award costs to parties making an intervention in matters before the Board. These costs are paid directly by the applicant entity and, therefore, do not form part of the expenditures of the Board. Details of awards in the calendar year 2000 are as follows:

	Applied for	Granted
Centra Gas Manitoba Inc.		
1999/2000 Cost of Gas Rate Increase		
CAC/MSOS[1]	$16,966.10	$16,966.10
Western Transportation Service and Agency Billing & Collection Services		
CAC/MSOS	$84,059.14	$84,059.14
Rate Management Program		
CAC/MSOS	$71,485.04	$71,485.04
Interlake Expansion		
CAC/MSOS	$51,552.07	$41,490.05
ING[2]	$17,585.98	$17,585.98
BRA[3]	$ 5,574.70	$ 2,787.35
Primary Gas Sales Rates		
CAC/MSOS	$ 9,854.62	$ 9,854.62
Primary Gas Sales Rates – November 1, 2000		
CAC/MSOS	$ 5,913.42	$ 5,913.42
Swan Valley Gas Corporation		
Expansion Project		
CAC/MSOS	$27,470.76	$22,120.74
Manitoba Hydro		
Applications for Approval of the SEP & the LUBD Rate		
CAC/MSOS	$ 7,280.79	$ 7,280.79

[1] Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors
[2] Interlake Natural Gas Co-op
[3] Bifrost Ratepayers Association